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EXECUTIVE SECRETARY

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April 19, 2000

By Hand

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

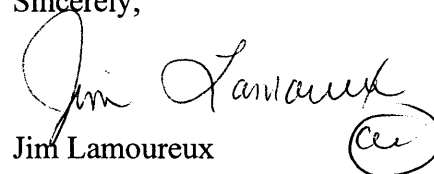
Re: *Proceeding to Establish "Permanent Prices" for Interconnection and Unbundled
Network Elements*
Docket No. 97-01262

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of AT&T's Response to BellSouth's Proposal to Deaverage Proxy UNE Prices established by the Arbitrators in Docket Nos. 96-01152 and 96-01271 (the "AT&T and MCI arbitrations").

If you have questions, please call me.

Sincerely,


Jim Lamoureux

Encls.

cc: Counsel for all Parties of Record (w/encls.)

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In Re: Petition to Convene A Contested)	
Case Proceeding to Establish Permanent)	Docket No. 97-01262
Prices for Interconnection and Unbundled)	
Elements)	

**AT&T'S RESPONSE TO BELL SOUTH'S
PROPOSAL TO DEAVERAGE PROXY UNE PRICES**

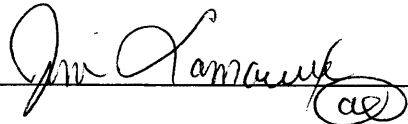
Pursuant to the request issued by the Authority on April 10, 2000, AT&T Communications of the South Central States, Inc. ("AT&T") responds to BellSouth's proposal for "deaveraging" the proxy UNE prices established by the Arbitrators in Docket Nos. 96-01152 and 96-01271 (the "AT&T and MCI arbitrations").

AT&T agrees with BellSouth that only loop prices should be deaveraged. However, as set forth in AT&T's deaveraging proposal, BellSouth's proposal to use its Tennessee rate groups is not cost-based, and does not comply with the FCC's UNE pricing and deaveraging rules. Simply put, the result of multiplying two numbers together can not be cost based if one of those numbers is not cost based. BellSouth's proposed deaveraging percentages are not cost-based as required by FCC rules because they are based on BellSouth's rate groups. Because the percentages are not cost-based, it is not possible to arrive at cost-based deaveraged rates using BellSouth's percentages, even assuming that the proxy UNE prices are cost-based to begin with.

AT&T recommends that the TRA adopt AT&T's proposal as an interim deaveraging solution for the UNE proxy prices in order to meet the FCC's May 2, 2000 deadline. It is still incumbent on the TRA, however, to establish permanent cost-based UNE rates, including deaveraged rates, in Docket No. 97-01262. The interim deaveraging methodologies recommended by AT&T or MCI could also be used as the mechanism to establish deaveraged rates in that proceeding. To do so, the TRA would simply multiply the

cost-based average rates adopted in that proceeding by the same percentages it adopts for interim deaveraging.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Lamoureux", is written over a horizontal line. The signature is stylized with a large initial "J" and a circular flourish at the end.

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Attorney for AT&T Communications of the
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April 19, 2000

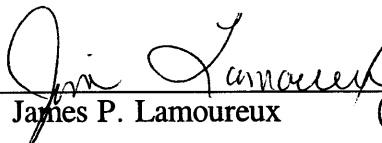

NASHVILLE, TENNESSEE

***In Re: Contested Case Proceeding to Establish Final Cost Based
Rates for Interconnection and Unbundled Network Elements***

Docket No: 97-01262

CERTIFICATE OF SERVICE

I, James P. Lamoureux, hereby certify that I have served a copy of the foregoing to the following counsel of record via U. S. First Class Mail, postage paid, this 19th day of April, 2000.


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